

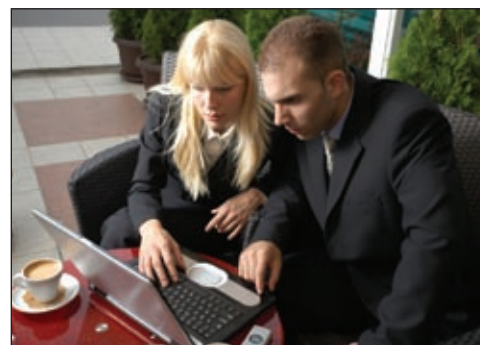
Business accounts

Don't leave your financial records to chance and incur the wrath of the taxman. **Simon Edwards** explains how to balance the books with the help of a business accounts package

Q I am part of a small group of people who want to plan and start our own business, ultimately with a view to going full-time into computer consultancy. At the moment we work for different companies and, until we start making lots of money, we aim to do bits and pieces of work in between our real jobs. Essentially, we want to form a company and start slowly and carefully before burning our boats.

None of us is a qualified accountant or keen on spending much time doing the company accounts. We are likely to end up buying computer equipment for ourselves and for our customers, which means we will probably register for VAT even though we won't earn enough for this to be compulsory.

We don't intend to pay ourselves salaries yet and we want to spend as little on professional accountancy fees as possible at this early stage. What software do we need to keep track of our



earnings and outgoings? Can we just use Microsoft Money, which, despite its amateur-sounding name, is a financial database? Or do we need to buy a powerful accounts system? At this stage, we want to get the job done with minimum hassle and cost.

A Book-keeping is the process of keeping records of each financial transaction your company makes. When you issue or receive an order the details need to be recorded, as do the corresponding receipts and payments. You could buy some traditional paper pads from a stationer to keep these records, or go the whole hog and install networked customer relationship management (CRM) software connected to accounts and payroll programs. Fortunately, there are plenty of options available between these extremes.

Good accounting software doesn't just do the book-keeping, though. It is capable of generating useful reports that simplify submitting essential forms to the taxman. In some ways, buying an accounts package is buying a service. Good software keeps up to date with the latest tax rules and regulations, as well as acting as a database for your records.

DO IT YOURSELF

You can computerise your financial records cheaply. The digital equivalent of scrawling entries in cheap jotters is to use spreadsheets to record purchases, sales, receipts and payments. If your business is very small, you have time to make detailed records yourself and you are not registered for VAT, this is a workable option. The spreadsheets can do the maths for you, and it's easy to make backups.

There are some drawbacks, however. Once you start making a few transactions a day, or even a few a week, the workload will start to pile up. You'll find yourself re-entering data, such as client and supplier details, and issuing receipts and invoices will become a significant burden. Setting up a database to do some of these tasks is a logical step for those who know how. Buying an off-the-shelf accounts package is a cheaper and far more sensible option for most people.

You may want to register for VAT, or perhaps your company earns enough to make VAT registration compulsory. At the time of writing, companies that supply goods or services over the value of £61,000 in a 12-month period need to register. If you register, you'll have to complete a VAT return regularly. Keeping up-to-date accounts using a proper accounts program

makes this boring task very straightforward. For more information about VAT registration, visit www.businesslink.gov.uk and click on the Taxes, returns and payroll link.

The big financial event of the year for small limited companies is the deadline for the company tax return. If you are disciplined and keep your books up to date throughout the year, this will be straightforward. You can even do it yourself without the help of an accountant. What you don't want to do is start sorting through stacks of receipts and invoices as the deadline looms. An accounts package will make your life easy in many ways, although setting it up may seem like hard work.

Home finance programs include domestic features such as bill reminders and personal investment tracking. They can help you budget your spending and locate areas where you are spending too much. But most households have only a few sources of income, whereas businesses usually have many clients. Business accounts software focuses on categorising data in such a way as to simplify analysing your turnover and submitting mandatory data to the taxman.

It may be possible to run a tiny personal business such as a small-scale, eBay-based endeavour using a product such as Microsoft Money. However, if you are running a partnership or limited company, you'll almost certainly need the power of a business package. This does not mean you have to spend hundreds of pounds.

TAXING TIMES

Even if you are not yet registered for VAT, it makes sense to buy a package that can help prepare a VAT return. The only time this won't be important is if you work in an industry that is VAT exempt. There are not many of these, and IT consultancy businesses must claim VAT from clients, pay it to suppliers and deal with HM Customs to repay or reclaim the balance.

You also need to be able to generate a number of other reports. Generating reports is the main purpose of business accounts software. When you come to your end-of-year accounts, or want to check your balance sheet, a good package can read all your records and

INTRODUCTION

Unless you are an accountant, you don't want to spend days poring over company accounts. Sadly, your financial records demand attention, though. They have to be accurate or you risk paying too much tax or, worse, too little.

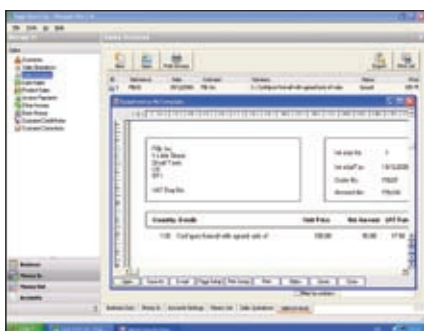
Recording your expenditure and income is not enough. You need to be able to analyse your books quickly and with minimum effort to cut the stress that can kick in when it's time to do the end-of-year accounts or those all-too-frequent VAT returns.

Here we show you how a decent business accounts package can help. We explain how they differ from more basic home products, and demonstrate how using the internet makes submitting the necessary information to the taxman easier.

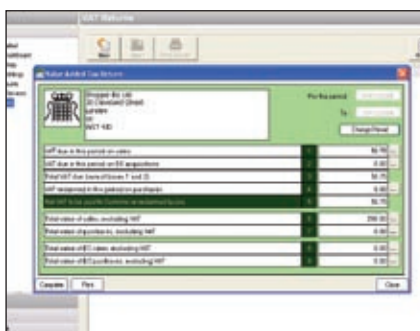
Simon Edwards
Technical Editor



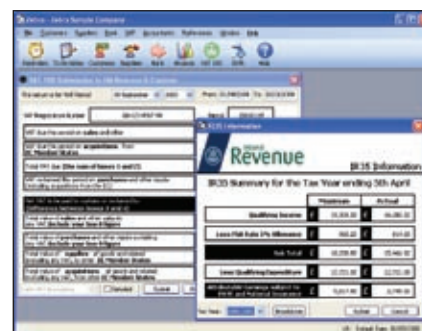
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▲ Generating an invoice using Sage Start-Up is incredibly easy to do



▲ Sage Start-Up simplifies VAT returns by generating a replica form for you to copy



▲ TAS Software's Zebra takes IR35 regulations into account, making it ideal for consultants

present a summary that is easy to read and contains all the data you need. Most good programs integrate with online banking accounts, but those we've seen work by importing files you download from your bank rather than linking up directly with the website. This might seem clunky, but we'd rather go through the extra step of manually downloading statements to reconcile the accounts than hand over control of our online bank account to software.

It is critical that you buy an accounts package designed for businesses operating in your country. Regionalisation in office software usually means different spellchecking dictionaries, default currencies and other minor variations. Accounts software needs to contain rules that match the current legislation in your area, as well as work with your country's currency. This is why you need to keep your software up to date: laws change, and your software needs to keep abreast of those changes.

STARTING OUT

At the genesis of your project you won't need a team of accountants, so you can almost certainly get away with running a single accounts program on one PC. The minute you graduate to a networked system, where multiple people can add records and generate reports, you face heavy costs, even at the lower end of

the market. For now, save your money for more important expenses.

Sage produces a wide range of accounts packages. Its Start-Up product is aimed at people starting out. It provides a wizard-style questionnaire when you first run the software, which simplifies the setup process. It comes with an initial subscription of £149 including VAT and an annual fee of £99; this might seem expensive, but Start-Up is more than just an accounts package. It includes tools to help you carry out market research, create a business plan and compare your new business's performance against that of your competitors.

Start-Up is also able to generate practical reports such as a replica VAT return, which can be transcribed into the real form or the online system (see below). It can create PDFs of reports such as Profit and Loss, Balance Sheet and Year End Audit Trail, which is a detailed list of your company's financial activities.

TAS Software also has an accounts package specifically targeted at start-up businesses. The Zebra package is touted as "simple black and white accounting for start-up businesses". It lacks the planning elements available in Start-Up, but costs just £48 a year and has enough features to let you do your accounts and prepare reports for an accountant. If you want advice on HR, health and safety or credit control issues,

you can buy these additional services for around £30 a year. If you plan to be a consultant you may, under certain circumstances, fall under the so-called IR35 legislation. This is designed to prevent National Insurance Contribution (NIC) avoidance. The simple interface in Zebra lets you take the IR35 rules into account whenever you enter details of a new job. Just choose Yes or No from the IR35 Entry drop-down menu.

Sage Instant Accounts is a more advanced accounts package. For example, it requires its users to have some knowledge of book-keeping and some double-entry skills. A single-user licence costs £129 including VAT. Instant Accounts or Start-Up is suitable for a new business. Just because Instant Accounts costs more does not mean Sage expects Start-Up users to graduate to it when their businesses expand. Instead, when this growth happens, Sage claims that users of either package would do well to consider its Sage Line 50 Accountant package, which costs £581 for a single company. A two-user version costs £875 including VAT.

OTHER OPTIONS

MYOB, which stands for Mind Your Own Business, produces a product called MYOB BusinessBasics, which is aimed at start-up and small businesses including sole traders. It allows you to send quotes, produce invoices, manage your VAT returns and perform other essential accounting tasks. The company claims it is suitable for users with "little or no accounting knowledge". It costs £78 including VAT.

Microsoft has launched its Money 2007 Home & Business package in the United States and plans to make it available in the UK soon. The product is aimed at businesses with fewer than five employees. Few details were available at press time, but we expect the price to be less than £100 including VAT.

Finally, Intuit's QuickBooks is the most popular small business package in the United States and is competitively priced in the UK. It costs £129 including VAT for QuickBooks Regular 2006, providing VAT management, integration with Microsoft Word, Excel and Outlook, and even supports multiple companies. The Pro version costs £310 including VAT and provides the same features as QuickBooks Regular, with the addition of lots of reports, the ability to customise your invoices and support for multiple currencies. **CS**

Happy returns Online VAT returns explained

In the 'How To... Use online VAT services', *Shopper* February 2007, we provided a full description of how to file your VAT return online, which ran to two pages. If your accounts package provides a VAT return feature – and any business accounts package worth its salt will – this process becomes far simpler. You still need to register on the HM Revenue & Customs website, but assuming you are already registered for VAT the rest of the process is very easy.

First log in at www.hmrc.gov.uk and click the VAT Online Services link. Use your accounts program to generate a replica VAT form, known as the VAT 100 return, and enter the details it displays into the form on the website. You'll have to click a few buttons, but mostly this is to confirm fairly obvious choices. And that's all there is to it: the job is done.

You can set up the system to accept VAT payments by Direct Debit, which further reduces your paperwork and the likelihood that you will make a late payment. A further advantage in using the electronic VAT

1. VAT due in this period on sales and other outputs	£	3,692.50
2. VAT due in this period on acquisitions from other EC Member States	£	0.00
3. Total VAT due (the sum of boxes 1 and 2)	£	Value will be calculated
4. VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	£	856.26
5. Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	£	Value will be calculated
6. Total value of sales and all other outputs excluding any VAT. Include your box 6 figure.	£	20,620.00
7. Total value of purchases and all other inputs excluding any VAT. Include your box 7 figure.	£	3,776.00
8. Total value of all supplies of goods and related costs, excluding any VAT, to other EC member states	£	0.00
9. Total value of acquisitions of goods and related costs excluding any VAT, from other EC member states	£	0.00

DECLARATION:
When you send the above information, you are making a legal declaration that the information is true and complete. A false declaration can result in prosecution.
Please do not post a paper copy of this document to HMRC as they

▲ Submitting your VAT return online will save you time and extends your deadline by a week

system is that you receive an additional seven days to submit your return and pay any due funds.

Next month

EMAIL MARKETING

Spread word of your business using email effectively and legally